

PROJECT
FOR THE CREATION OF A
SOUND PAPER CURRENCY,
BASED ON THE SECURITY OF
REAL PROPERTY,
TO BE
VESTED IN A GOVERNMENT COMMISSION,
WHICH SHOULD LICENSE
BANKING COMPANIES TO ISSUE NOTES OF
LEGAL TENDER
TO THE VALUE OF ALL PROPERTY SO DEPOSITED,
WHICH NOTES, THUS PROTECTED, SHOULD BE A SAFE MEDIUM FOR HOME
CIRCULATION, TO REPRESENT TRANSACTIONS OF
Trade, Manufactures, and Agriculture,
AS WELL AS OF
PURCHASE AND SALE,
IN ALL RESPECTS AS SECURE AS A METALLIC CURRENCY,
WHICH SHOULD, THENCEFORWARD, ONLY BE REQUIRED
TO DISCHARGE OUR ADVERSE
FOREIGN BALANCES
OF
COMMERCE OR OF TREATY,
WHENEVER SUCH SHOULD ARISE.

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PROJECT

FOR

THE CREATION OF A SOUND PAPER CURRENCY, &c.

IT will, I apprehend, on all hands be allowed, that an extended money-circulation is favourable to the production of real wealth, which may be truly defined as an abundance of such things as are essential—first, to the sustenance of man,—next, to promoting his social comforts, gratifications and enjoyments,—and lastly, to the more exalted requirements of intellect, of knowledge, and of that highest order of utility, of scientific attainment, of refinement, and of elegance, which consists in a happy combination of both, with the means of calling their conceptions into existence. The productions of the earth, which are given by the blessing of God to the labor of man, constitute the basis of wealth. These productions are the foundation of Commerce, of Manufactures, of Arts, of all the applications of Science; and in those various modifications, may be said to constitute the Wealth or Property of the World. From these arise all that can satisfy the many legitimate wants and desires of human nature generally, as well as all that can conduce to the pomp, the elevation, the aggrandisement, the majesty, of the most exalted relative positions of man in this his earthly stage of being.

But as the different nations of the earth produce different fruits, varied by soil, by climate, by situation

and by culture, so it is necessary, for the purposes of Commerce, in the interchange of those commodities, to establish some general standard, recognised by all, to represent the value of property; and, from the earliest ages to the present moment, the precious metals of gold and silver, from their incorrodible quality, their inapplicability to the ordinary purposes of life, their great scarcity, and the difficulty of obtaining them, have been fixed on by all the various families of man as best suited to constitute that substitute or representative. The increase or discovery of those precious metals, however, not having kept pace with the increase of population, and that civilization which, by cultivating, organizing and directing, the mental and physical resources and producing powers of man, have increased the Wealth of the World to an almost incalculable amount, it became necessary to appoint some additional substitute for its representation, and accordingly a system of Banking was introduced, by which an issue of promissory notes to stand in aid of Gold and Silver was adopted: thus, to facilitate the operations of trade, necessarily contracted by the non-expansive—almost fixed—nature of the metallic circulating medium, as contrasted with the rapid creation and extension of property.

Having arrived at this point of general observation, I shall now confine my farther remarks to Great Britain; she, who, blessed with the free and uncontrolled use of the revealed Gospel of God, has founded her laws on its precepts, and thence obtained by the blessing of that God whom she serves, and through the operation of that divine revelation, free and equal institutions, respect for moral and for social order,

obedience to those laws which her people have themselves enacted on the highest and most holy principle of even-handed justice, and to the Government by which they are administered, unceasing and indomitable perseverance in the combined application of Science, of Mechanism, and of Labor to all the practical purposes of life, thereby accumulating a degree of wealth, (*id est* of the necessities, the luxuries, and the refinements of life,) far beyond her consuming powers, the excess of which being disposed of to Foreign Nations, has obtained for her children the free and common use of all the most desirable productions of the Earth, has extended her Commerce to every part of the known World, and planted her Colonies and established her dominion in every quarter of this habitable Globe, rendering *her* an object of admiration, and her *institutions* a subject of study for all Countries, Nations, and Languages.

In this high and proud position, in this daily increase of Wealth, arising from the fertility of her soil, the active intelligence of her people, the widely extended speculations of her merchants, all stimulated into increased action, by the fostering patronage of the great and noble in the Land, it becomes a matter worthy of the deepest attention to provide a safe circulating money medium, of sufficient expanse to represent this vast accumulation of property, and to give facility to the exchange or interchange of its various commodities, which, taken as a whole, or in detail, may be said to present a never-ending chain of varying and gigantic operations.

It is evident that all balances of account, of trade or of treaty, due by us to foreign states must be paid

in Gold or Silver, those metals being the acknowledged standard of value between nation and nation: it is therefore of some importance in this examination of facts, to ascertain the means possessed by Great Britain to obtain so great a quantity of this universal representative of value, as her home and her foreign demands may require.

The produce of such Mines as she possesses in her widely-extended territories, supplies but a small portion of her necessities in this respect; the residue must therefore be obtained by trading balances accruing in her favour from foreign nations, by such payments as may be secured from *them* to *her* by treaty, or by the direct purchase of ore, or bullion. It thus seems clear that it will be the interest of Great Britain, to give the greatest facilities of trade to such countries as annually consume the largest portion of her produce, in excess of what *they* furnish to her of *theirs*, thus supplying sinews to her foreign trade, and giving her a preponderance of that universal medium of payment acknowledged by the World.

The converse will apply to Countries, which in the progress of trade, supply to her a larger portion of *their* produce than they receive of *hers*, so as to require a portion of the precious metals to make up the respective balances, thereby draining her coffers of that source of strength in the Commerce of Nations which, in her position, as not being possessed of any *very* productive gold or silver mines, can be only restored by an increased profitable extension of exports,—a remedy not always practicable.

Having thus shown the result of cause and effect on our foreign commercial relations, I now come to

examine how they mutually act on the operations of our home trade: in no country of the known world do the general mass of the people enjoy more freedom of opinion, more equal rights, more protection for property, more encouragement to industry, more general participation in the necessities, the comforts, the luxuries, the refinements of life, or more facilities for rising by the useful exertion of intellect, intelligence, or talent, from the middle (or indeed the humblest classes of society,) to mingle with those of exalted rank and station, than in Great Britain; and in no country in the world do the untameable exertions of the people to create general wealth, to advance their individual position, to promote obedience to the laws, and respect for the governing powers of the country; to shew by their enjoyment of them, their appreciation of the comforts derivable from honest labour, to provide for those who, by misfortune or by the stroke of the Most High, may be rendered incapable of earning their own bread, to defend the high privileges of their native land, to preserve and to perpetuate the blessings of real freedom to all their dependences, to protect their possessions and vindicate their rights by deeds of high and noble daring, to extend with undaunted courage the blessings of civilization, of liberty, and of commerce to all the nations of the earth;—I say in no country of the world do these lofty and ennobling qualities shine forth more conspicuously than in the glorious sons of Britain.

The people of Great Britain are a consuming people: every family possesses and enjoys its modicum of comfort and of luxury.

In the rural population each family consumes the

produce of the manufactures, of all descriptions, as well as imported luxuries of foreign growth according to its ability, and gives in return the most useful produce of the soil, thus establishing a reciprocity of dealing most advantageous to the Farmer, to the Merchant, to the Manufacturer, to the Shopkeeper, and to the Artizan, who receive by this means mutual and inexhaustible support one from the other, and thus united, resemble the course of a mighty and majestic river, rolling its broad waters in an unceasing flow, with a continuous renewal of those that had passed away, and with increase rather than diminution of its ample volume.

It is, I believe, an incontrovertible fact, that the trade arising from our home and colonial consumption, not only of home and colonial produce, raw and manufactured, but of foreign imported luxuries, exceeds to a *very* considerable extent in amount, that resulting from our export traffic with all the world besides: this being the case, it is evident that the balances accruing from our foreign trade, and payable in the precious metals, can furnish but a small proportion of the circulating representative of value required to carry out our home transactions, and that our entire obtainment of those metals from all the sources of supply at our command, must be wholly insufficient as a medium to represent the increasing value of our home trade, consisting in the daily developement of wealth, by the persevering intellectual, scientific and manual labors of the British People. A sound and stable standard of value, of a progressively expansive character, to represent this development of wealth, must give a decided impulse to its rapid increase, and furnish a means of advantageously employing the entire population of

Great Britain, Ireland inclusive, which last country presents a wide field for improvement in the yet undeveloped fertility of a large portion of her soil, the native security of her harbours, the extent of her water power and of the fishing grounds on her coasts, joined to a population sufficiently extensive to turn those natural advantages to good account, through the medium of its labor, well and judiciously directed. I shall now proceed to show how such a standard may be created, based on the *real* property of the country, as contradistinguished from its floating capital.

Land, in the first instance, may be defined as *real* property: investments in the Public Funds, (not foreign,) partake of the same character, as do likewise India Bonds, *at par*, shares in some of our best Railways, also *at par*, in short all such investments as are of acknowledged intrinsic value, and which under any circumstances may be easily convertible into Money.

I would propose a Commission to be appointed by the Crown with powers to license banks for the issue of promissory notes, on the basis of—*real property* to the amount of the license granted being placed tangibly in the power of the Commissioners, so as to guarantee to the public the security of those notes, which, so protected, should be of equal value with Gold, to represent all our domestic exchanges of property.

The principle on which such companies might be established should be thus:—suppose a man of landed property, for hypothesis say £2,000 p annum, (such property being worth twenty years' purchase under any change of circumstances,)—he may be licensed to issue notes to the amount of £40,000: another man

joins him who has, say £20,000 in the Government Funds; a third, £10,000 in India Bonds; a fourth, £10,000 in Great Northern and Western, Great Western, or any other equally productive and established railway shares, all at par value: those parties combined apply to the *Commissioners*, whose business it will be to ascertain that the landed property is clear of any former lien, and in the power of its owner to convey; and likewise of all the other securities that they are *bona-fide* capable of being conveyed to the Government as a guarantee for the repayment of the notes about to be issued; and *who*, when all this is clearly established and proper conveyance made, will license those parties as a banking company to issue promissory notes to the amount of £80,000: each note, of whatever value, should bear a certain stamp, which may be arranged as a $\frac{1}{2}$ centage, but classified so as to suit notes of all amounts and the produce of this stamp duty would, besides being a check on the issue, form a legitimate item of public Revenue. While the property would be thus rendered available for public accommodation, the owners should each draw his income uninterruptedly. The Landed Proprietor should receive his rents of £2,000 $\frac{1}{2}$ annum, the Fund-holder, the India Bondholder, and the Railway Share-owner their respective dividends, and also enjoy the profits to be derived from the power thus given of converting their property into a sound circulating medium: suppose the bank to clear 4 $\frac{1}{2}$ cent. $\frac{1}{2}$ annum, the Landed Proprietor would add £1,600 $\frac{1}{2}$ annum to his income, and the others increase theirs in a like proportion, while their established property would be converted into a means of promoting enterprize in sound commercial speculation,

and of freeing its operations from those periodical pressures, those derangements of established confidence, those forced failures of sound and healthy undertakings, those *usurious*, and therefore *injurious* exactions of money holders which are calculated to swamp the industrial portion of the community, to render nugatory their best directed efforts, to take from our Artizans, our Operatives, and our Laborers their very means of existence, and to paralyze the progress of national strength, by suspending the creation of national wealth, which uniformly flows from the continuous employment of the people. The correction of all those evils must be considered as a desideratum, and would undoubtedly result from the adoption of the principle above laid down, viz., the giving power for converting the *real* property of the country into a medium of home circulation, to represent all the varied transactions of our home traffic and commerce.

The above is an individual example illustrative of the principle recommended, and is capable of being extended to meet the fullest requirements of the Country. Notes so secured may be to all intents and purposes a safe legal tender, and may be exchanged by the bankers or their customers at Her Majesty's Mint for Coin, or at full value for Bullion, whenever they might require to make remittances for foreign payments.

Under this system, pound notes would answer all the purposes of sovereigns for our home transactions, and the value of notes issued might vary, so as to suit the purposes of trade, pound notes being the minimum tender. All money received from Foreign States, in payment of trading balances, would naturally be

banked, as is now practised, and would thus be available again for foreign remittances.

Whenever the balances of trade run in our favour, which should always result from sound commercial relations with other States, gold will abound in the country ; on the contrary, when they determine against us gold must be obtained, no matter at what price or inconvenience, for their discharge : it therefore follows as an inevitable consequence, that the necessity of keeping a certain large quantity of gold in the daily circulation of the country, in the face of an arbitrary commercial demand for it, must give the holders of that commodity, whether foreign or domestic, an equally arbitrary power to obtain any price they may choose to ask, to the utter annihilation of the profit of those merchants whose payments must be necessarily made through that medium ; nay, those bullion holders have recently, on the occasion of the late famine, had ample opportunity to appropriate to their own coffers, not only the just reward of merchants' enterprize, but the amount of Crown Duties, which, though reduced with a view to confer a boon on the famishing consumer,—(if continued to be levied, they would have gone into the nation's treasury to the relief of taxation,) yet were, under the circumstances, diverted from both those purposes, to feed the all-absorbing aggrandizement of the Bullionist. Those consequences were undoubtedly aggravated by the operation of the Banking Act of 1844, which, though intended to give security to the paper currency, and calculated, during a time of the nation's prosperity, to produce that effect ; yet, when a pressure came, caused by an export demand for bullion, had also the effect of contracting the paper in a pro-

portion with the metallic currency, and of thus extending to the home trade the evils affecting the foreign; rendering it impossible to make property available to meet engagements unless at an enormous sacrifice, and giving to the holders and makers of paper money a similar power with that possessed by the Bullionist, to enrich themselves unduly at the expense, and in many instances by the ruin, of the trading portion of the home community.

The present depreciation of public as well as of private securities, the difficulty to meet engagements, which in many recent instances has led to the suspension of houses of long standing and high character, and holding property over 20s. in the pound of their engagements, the temporary stoppage of manufacturing employment and of railway works, the languor and uncertainty thrown over the industrial pursuits of the people, and at this moment pervading every branch of Trade,—all those attest in the strongest manner the justice and the truth of the above observations.

It may here be worth considering whether the act above alluded to, and which has been said to cause, or at least to aggravate, the evils of the present crisis, contains within itself that self-regulating principle which guarantees to the Note-holder, under all circumstances, the value of five sovereigns for his five pound note, in recompence of the disastrous results caused by the irregular contraction of the currency. To elucidate this point, I shall put a few queries in allusion to existing Banking Companies, (including the highest in the Empire,) and to the principle which I recommend to introduce for the public security, leaving the solution to my Readers.

First,—Is there at present actual property consisting of Land, Government or other as solvent Securities in the power of Government, of equal amount with the notes issued, to guarantee the public as to their repayment? if not, *ought there not to be*, in order to constitute those notes a safe legal tender?

Second,—Ought not the notes of all banks, without distinction, which shall convey to the Government security as above, to the amount of their licensed issue, to be accounted as legal Tender?

Third,—Is it not likely that a sufficient number of banking companies would be formed on this principle of conveyance of property, (which, while it rendered the notes perfectly secure, would give to the bankers a double income: viz., that of their property and that of their banking profits,) to meet all the most extended requirements of our creation of wealth and transferment of property at home?

Fourth,—Would not a steady and safe fixed circulation, not liable to be affected by the forced speculations of large capitalists, in capricious expansions and contractions of the currency, for their own private advantage, tend to the increased production of all commodities, establish a steady home consumption and give a much greater quantity for export, secure remunerative employment for all classes of the people, promote an influx of the precious metals by safely stimulating our foreign trade, and in short, add to the permanent greatness and prosperity of the country?

Fifth.—Ought not £5 p cent. p annum be constituted the legal rate of interest or discount, as quite sufficient remuneration for an idle lender of money, (whether gold or paper,) and as much as an industrious

man ought to pay in justice to the consumer, to the artizan or labourer employed by him in his particular branch of trade, and to the just reward of his own enterprize?

To facilitate the working of this principle, and to enable Partners in Banks so constituted to withdraw their property at pleasure, the capital might be formed into shares, each share to represent a certain amount: those shares might be disposed of in the market, in like manner as shares of other companies; but the purchaser should invariably convey property to the Commissioners equal in amount with the shares purchased, at the time of making the transfer; thus the security to the public would still be upheld, and the original or the secondary proprietor would, at pleasure, have the power to convert his shares into money, should he feel disposed to do so. In like manner the owners of securities thus conveyed, might have power to change the investment into any other funds that might promise better, but always under the control and with the sanction of the Commissioners.

It would not be indispensably necessary to form large Companies for working out this project; either limited or extensive partnerships might be formed, or license granted to individuals to issue promissory notes: the only requisite qualification would be, the conveyance of *real* unencumbered property to the Government, of an amount equal to the license for issue of notes sought to be obtained.

It may be supposed that the repeal of the Small Notes' Act, which made gold the circulating medium of sums from one to five pounds, would leave room for the purchase of our gold coin by foreign Speculators, and

thus remove it from the Kingdom. To this I answer, that coin so removed must be paid for by Bullion ; and that our mint price for Gold can always be so regulated as to impose a salutary check on any speculative export of our coin. Foreign balances accruing due by us, no matter on what account, *must*, we know, be paid for either in Coin or in Bullion ; and the quantity in actual circulation at home, can in no wise prevent it, though it may cause, and has, during the past year caused, very serious fluctuations of value, and enhancement in the price of imported *food*, to the detriment alike of the importer, the factor and the consumer. Knowing that the subject of currency as connected with banking and with general trade, must in the present session, largely and earnestly occupy the attention of the Legislature. The author of the foregoing observations ventures to send a copy of them to each member of the united Houses of Parliament ; under the impression that it is the duty of every man in society, (even the humblest,) who honestly supposes that his conceptions may be rendered useful to his country, to communicate them in the quarter that has competency to give them practical operation,—and under the conviction that, should they conduce to the prosperity of Great Britain, the British people will not leave his labours unrewarded.

DANIEL DESMOND.

Cheltenham :

November 25th, 1847.

